

Meeting:	BNG Board
Date:	29 th January 2010
Contact:	Ian Mackintosh
Board Action:	Approval
Sensitivity/FOI:	Public

Agenda Item and Subject: Item 7 Strategic Risk Review

Summary Report:

This report updates the Board on the results of the latest review of the strategic risk register.

Recommendations:

BNG Board is recommended to review and approve the key risks and mitigating actions as identified in the report and risk register.

Implications:

Financial: Failure to manage the identified risks will have a negative impact on the financial performance of BNG
 Equality: Equality issues have been considered in determining the key risks
 Sustainability: Sustainability issues have been considered in determining the key risks

Consultation: BNG Management Team, Project Appraisal Panel, Programme Management Group, Chair, Efficiency Champion

Risk: See attached risk register

Strategic:
 Financial:
 Development:
 Operational:
 Reputational:

Report to: BNG Board 29th January 2010

Subject: Strategic Risk Review

Agenda Item: 7

1. **INTRODUCTION**

This report updates the Board on the results of the latest review of the strategic risk register

2. **RISK UPDATE**

The strategic risk register was last reported to the Board in July 2009, taking on board growth in addition to renewal, and 19 strategic risks were identified:

- 15 red
- 3 amber
- 1 green

BNG Management Team, Programme Management Group, BNG Chair and Efficiency Champion have reviewed and updated the risks and mitigating actions included in the register. A number of risks have been merged as the previous register included some risks that were very similar in nature. Some risks have been removed as they were either no longer considered to be strategic risks or they were completely outside of the control or influence of BNG. The register now identifies 11 risks:

- 8 red
- 3 amber

The risks have been further categorised as:

- Recession and Credit Crunch
- Programme Funding and Delivery
- National. Regional and Local Policy and Institutional Change
- Area/Neighbourhood Perceptions and Impact

The detailed risk register describes the risk and explains what is currently happening to alleviate the possible impact of the risk i.e. the current controls. This is then used to determine the likelihood of the risk occurring and the potential impact it could have. The product of the likelihood and impact gives the risk priority.

Every risk that is included in the attached risk register is regularly reviewed by BNG Management Team and the Programme Management Group.

In all cases additional actions have been identified that, when delivered, should help to mitigate the impact of the risks. These are shown above in the table for the major risks and in the risk register for all risks.

Wherever possible targets for improving the likelihood and impact of the risks have been identified and feature in the register. These will form a key element of the management and monitoring of the risks.

Major Risks.

Item 9 on this agenda highlights the current operating environment and the potential influence that BNG can have on it.

Clearly this brings strategic risks to the delivery of the renewal and growth programme in both the short and long term. The risk register identifies these risks and suggests mitigating actions.

Given the current environment it is considered that there are now five major risks facing BNG as detailed below:

Ref	Risk Description	Current Controls	Likelihood and Impact	Additional Actions to be Undertaken
3	<p>Failure to achieve an appropriate mix of tenure and acceptable build quality on new developments.</p> <p>3.1 Possible standards drop as developers strive to make homes affordable - products might become less sustainable.</p> <p>3.2 Failure to deliver optimum housing mix leading to lack of take up from target markets i.e. not the right type of houses on offer to attract buyers.</p> <p>3.3 Potential change in demand for housing</p> <p>3.4 Impact of mortgage availability etc. on scheme viability due to the money markets causing a reduction in the demand for houses to buy.</p>	<p>Continue to work on development and roll out of Practical Affordable Housing Solutions. Evaluate current options for low cost housing with Developers and Partners. Design reviews introduced at appraisal stage. Value in Design research complete. Work with Local Authorities and developers to understand the implications of the credit crunch. Implement practical affordable housing solutions on 'stalled sites' Work with HCA to develop affordability models. Maintain BNG strategic objectives.</p>	<p>Almost certain. Extreme Impact.</p>	<p>Procurement to encourage innovative affordability sales models by developers; joint BNG, NCC and GC meetings with HCA. Development of BNG intervention programme to consider design quality/affordable mix/ gap funding possibilities. Value in Design research to be rolled out as appropriate. Strategic Housing Market Assessments to be undertaken to give an understanding of local markets. Continue to monitor as part of HMI. Promote use of Home Ownership Options e.g. shared equity models, rent to purchase etc. Enter into longer term partnering arrangements with developers. Help to develop choice of product tailored to financial circumstances. Seek improved marketing of developments. Work with LAs and lenders to develop mortgage products.</p>
43	Failure to secure	Test market and private	Almost	Early involvement of Private

	Private Sector investment due to lack of interest with regard to new sites and slowing down of ongoing developments in relation to the impact of the credit crunch.	sector willingness to develop sites in line with BNG objectives (with or without gap funding) through the procurement process. Continue to develop URV in Scotswood and JV Partnership in Gateshead. Deliver the Growth Point Programme of Development	certain. Extreme Impact.	Sector in determination of optimum schemes. Consider de-risking of sites in relation to ground conditions etc. Consider potential changes to the housing mix on sites, e.g. bringing forward affordable housing to encourage development in the short term ensuring no long term impact on the mix. Work with developers to implement Practical Affordable Housing Solutions on 5 sites.
44	Failure to deliver key projects and the effect this may have on the programme as a whole. The renewal programme now has fewer, larger projects therefore more potential risks to delivery.	BNG has developed robust financial and performance monitoring systems, helping to ensure effective delivery. In addition, the recent introduction of gateway reviews for projects towards the end of each year, and periodically for schemes with identified delivery risks, should ensure progress in the context of difficult market circumstances	Likely. Extreme Impact.	Further enhance programme and project management procedures. Further develop gateway reviews. Develop improved milestone monitoring procedures. Longstop dates introduced for key projects.
2	Failure to complete delivery of the renewal and growth programmes due to the level of local and national political support such as change of central government policy. Pre Budget report suggests continued funding for regeneration programmes will be tight. This could be exacerbated in the build up to the forthcoming general election.	BNG to ensure delivery and communicate positively with DCLG, local councillors and MPs. Good communication and shared responsibility throughout partnership. Assessed as Performing Strongly by Audit Commission. Regular Chairs and Directors meetings with HCA and CLG.	Almost Certain. Extreme Impact.	Attempt to reduce reliance on central funding by effective use of assets to deliver financial and policy freedoms. Continue meetings with Homes and Communities Agency. Respond positively to requests from Treasury etc. Maintain Audit Commission assessment. Future options for direction of BNG being considered. Early release of additional 10% for 2010-11 is supportive. Review future options for BNG. Complete impact assessment to ensure investment priorities are clearly evidenced.
9	Failure to deliver projects due to insufficient internal resources leading	Partnership Agreement developed outlining expectations of all partners. Partnership Improvement Team	Almost Certain. Extreme Impact.	Review recommendations of consultancy report on the resources of the BNG Partnership. Seek management reviews of BNG

	to reduced capacity - may be exacerbated by structural changes within local authorities and impact of single status job evaluation findings on staff recruitment and retention.	developed. Resources Task Group set up to monitor and manage growth alongside renewal. Job evaluation under review.		job evaluation scores. Complete and review impact of organisational reviews in Newcastle and Gateshead.
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3. **PROJECT RISKS**

All projects, as part of the project appraisal process, identify and assess potential risks to delivery.

Given the nature of the BNG programme with fewer, larger, projects there is a major potential risk to the delivery of the overall programme for the year.

To mitigate the impact of this key projects 'at risk' are monitored and closely managed and these are identified as:

- Riverside Dene - Private sector element of scheme does not progress due to market conditions resulting in no/little change in tenure mix.
- Scotswood Local Housing Company - Failure to appoint Private Sector Partner delaying entire scheme considerably. Potential CPO delays.
- Pottery Bank - failure to agree a satisfactory solution to the problems on the estate to deliver transformational change.
- North West Quarter Clearance - resolution to opposition to demolitions not reached.

4. **NEXT STEPS**

All identified risks will continue to be managed and actions identified to reduce their impact will be carried out.

The full risk register will be reviewed in July 2010 and subsequently brought back to the Board for approval.

5. **RECOMMENDATIONS**

BNG Board is recommended to review and approve the key risks and mitigating actions as identified in the report and risk register.